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RULSDMK/DEPT OF TRANSPORTATION WASHDC IMMEDIATE
RHEFDIA/DIA WASHINGTON DC IMMEDIATE
RUEIDN/DNI WASHINGTON DC IMMEDIATE
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC IMMEDIATE
RUEAORC/US CUSTOMS AND BORDER WASHDC IMMEDIATE
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KDEM, HO
SUBJECT: TFH01: COMPANIES COMPLAIN CURFEWS CRUSH COMMERCE

REF: A. TEGUCIGALPA 924
[1](#)B. TEGUCIGALPA 745
[1](#)C. TEGUCIGALPA 649
[1](#)D. TEGUCIGALPA 586

[1](#)1. (SBU) SUMMARY: The business community has urged de facto regime leader Roberto Micheletti to consider the negative impacts of curfews to business and provide exemptions for maquilas and commerce, according to Honduran Private Enterprise Council (COHEP) representatives. A recent decree limiting civil liberties specifically exempts cargo transportation from curfew restrictions. Curfews are not applicable in the Department of Cortes, where the majority of maquilas are located, or the Port of Cortes, Honduras' main port. Businesses report that during curfews cargo containers and ships are moving through the port and that customs officials remain on the job. COHEP said that uncertainty about the political future hinders investment and it feared international buyers will refrain from placing orders as political unrest might prevent delivery. COHEP said that these economic losses were not limited to Honduras but will spillover to neighboring countries, from whom they purchase inputs. COHEP believed that the best way for Honduras to protect its economic interests was for both sides to return to discussions with Arias. Our discussion indicated that some business leaders are now beginning to realize the long-term economic consequences of failing to restore constitutional legitimacy and may be ready to support a negotiated solution to the crisis. END SUMMARY.

[1](#)2. (SBU) On September 28, EconCouns and EconOff met with representatives of the Honduran Private Enterprise Council (COHEP). Present were Amilcar Bulnes (President), Armando Urtecho Lopez (Director of Legal Affairs), and Norman Garcia (Advisor to the President).

COHEP speaks with Micheletti...

[1](#)3. (U) COHEP leaders reported that de facto regime head Micheletti hosted an event for the Honduran private sector during the week of September 21. It was meant to be an informal social event, but the leaders said that the business

community availed themselves of the opportunity to urge the de facto regime to consider the negative impacts to business of some recently enacted measures.

¶4. (U) Those present were particularly concerned with the recent imposition of a two-day long nationwide daytime curfew as it prevented people from going to work and created a state of panic. Additionally they complained that the evening curfews were especially harmful to the maquila industry since many factories have graveyard shifts that have been prevented from working. They requested that the de facto regime issue passes for busses to transport maquila workers between their homes during curfew.

¶5. (U) COHEP representatives said that they felt Micheletti had listened to the business community's concerns, but that he had no immediate reaction and did not specially address their requests.

...and he may have heard.

¶6. (U) COHEP representatives said that the latest measures taken by the de facto regime addressed some of the business community's requests. The decree limiting personal liberties passed by the de facto regime on September 22 and published in the official registry on September 26 exempts the transport of goods to market and the port from the freedom of movement restrictions. Recent curfew notices were not applicable in the Department of Cortes, where the majority of maquilas are located, or to the Port of Cortes. Businesses report that cargo containers and ships have been able to move through the port in spite of the curfews and that customs officials have remained on the job to clear containers.

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COHEP links bad business with political crisis
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¶7. (SBU) The representatives that we spoke with agreed that the current political crisis exacerbated the effects of the global economic crisis. They said that trade and businesses were paralyzed the week after June 28 and were finally starting to recover only to be dealt another blow with the unexpected return of Zelaya on September 21. Garcia said that they felt they were "back to square one."

¶8. (U) The representatives lamented that it is expensive for a country to create a positive international investment climate, but its reputation can be lost quickly. They said that although many have confidence in the policies of the de facto regime, there remained uncertainty about the political future of Honduras, which was hindering both international and domestic investment. Previously, plants were relocating to Honduras from as far away as Asia, but the political instability had dammed the flow of new jobs and investment. They also fear that Honduras will lose its reputation as a country that can deliver goods on time, expressing concern that international buyers would question whether to place an order with a Honduran factory since political unrest might prevent delivery.

¶9. (U) COHEP representatives said that these economic losses were not limited to Honduras but would spillover to neighboring countries since Honduras imports inputs and was the second largest market for Guatemalan and El Salvadoran goods after the U.S. In 2008, Honduras exported USD 800 million to neighboring countries and imported USD 1.7 billion from them.

¶10. (U) Business losses are not limited to the manufacturing industry. As previously reported, tourism has been hit hard (ref B). COHEP representatives pointed out that tourists would not want to spend their vacation in a locale where there was political upheaval, demonstrations, and curfews. Other businesses also suffered when they had to close their doors because demonstrators are in the vicinity. Meanwhile,

workers whose income was based on commission do not get paid for days that they were unable to work due to political unrest or curfews.

COHEP supports Arias process

¶11. (SBU) COHEP leaders said that the best way for Honduras to protect its economic interests was for both sides to return to discussions with Arias. They said that if the current version of the San Jose Accord was not acceptable to both sides, the parties should remember that it is not written in stone and could offer a counterproposal to keep the dialogue flowing. COHEP leaders said that they believed a resolution would ensure that the elections would be transparent and fair. However, they were concerned about measures to limit Zelaya if he were returned to office, with one of them stating, "the cage is not the problem, the monkey is the problem."

Comment

¶12. (SBU) COHEP was initially supportive of the coup and did not want to see Zelaya return. They published a full-page newspaper ad after June 28 giving their full support to the de facto regime (ref D). This was a reflection of the business community's belief that Zelaya was the number one threat to the country's business and investment climate. Our discussion with COHEP indicates that some are now beginning to realize the long-term economic consequences of failing to restore constitutional legitimacy and have been brought around to supporting a negotiated solution to the crisis.
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